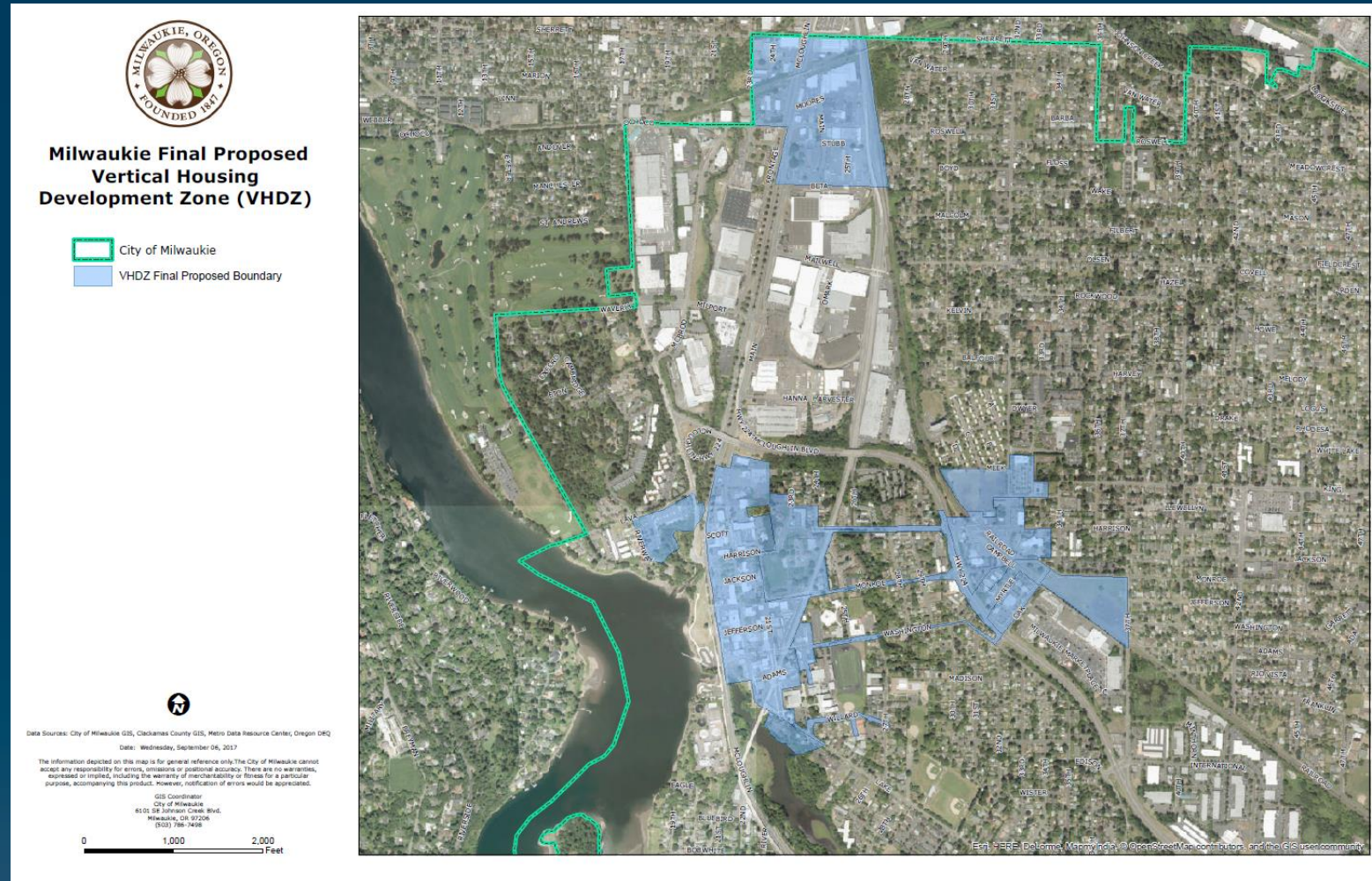# Vertical Housing Development Zone Ordinance

City Council, November 21, 2017

Vertical Housing Development Zone Boundary
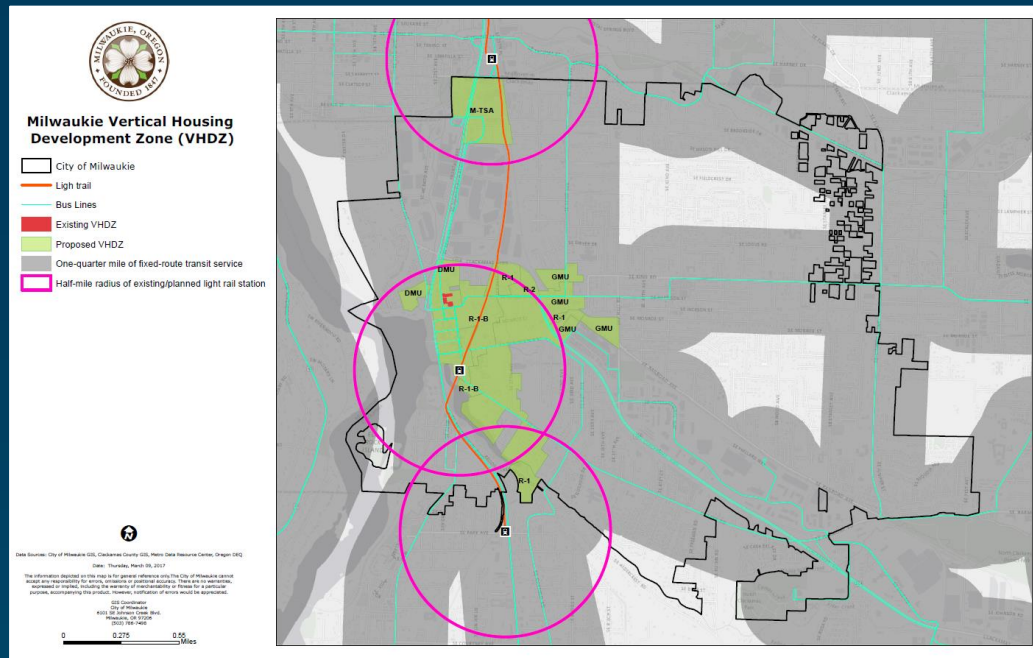
What is a Vertical Housing Zone?

- Allows for a 10-year tax exemption on new buildings up to 20% per floor for mixed-use projects
  - Exemption cannot exceed 80% of the value of the new building
- After 10 years, full value of the project is placed on the tax rolls
- Property taxes on existing land, and at least 20% of the new construction, are preserved
- Additional partial exemption is available on the land for projects with affordable housing

Source: Photo from OregonLive.com

Program Details

Milwaukie Vertical Housing Development Zone (VHDZ)

- City of Milwaukie
- Light trail
- Bus Lines
- Existing VHDZ
- Proposed VHDZ
- One-quarter mile of fixed-route transit service
- Half-mile radius of existing/planned light rail station

- Projects certified through State

- Tax abatements are applied only to the value of the building, not the land
  - An additional partial property tax exemption on the land may be given if some or all of the residential housing is designated as affordable housing

- Zone must be in a qualifying area, consistent with State criteria, defined as:
  - Completely comprised by the core area of an urban center,
  - Entirely within one-half mile radius of existing/planned light rail station,
  - Entirely within one-quarter mile of fixed-route transit service, and
  - Contains property for which land-use comprehensive plan and implementing ordinances effectively allow "mixed-use" with residential.

- Each project is provided abatement for a maximum 10-years

- Abatement applies to all taxing jurisdictions unless they opt out

Draft VHDZ Ordinance

Purpose

- Establish a local administration of the program
- Encourage development of mixed-use residential projects within the zone boundary
- Adopt local sustainability criteria
    - All new buildings or major rehabilitations as Certified Projects of the City are required to meet certification under the ANSI-approved green building rating system
- Adopt a sunset provision
    - Milwaukie VHDZ shall sunset on July 1, 2022 unless extended by Resolution
    - VHDZ applications received by July 1, 2022 shall have until December 31, 2022 to obtain a Certified Project approval certificate issued by the City

Key Features of the Ordinance

- Authorizes the City to designate VHDZs, adopt local criteria for certification, and administer the program

- Directs the Community Development Department to implement, administer, and enforce the ordinance

- Allows for zone termination or modification

- Establishes project criteria

- Allows for project monitoring fees

- Outlines modification/transfer of ownership and monitoring, investigations, remedies, and decertifications
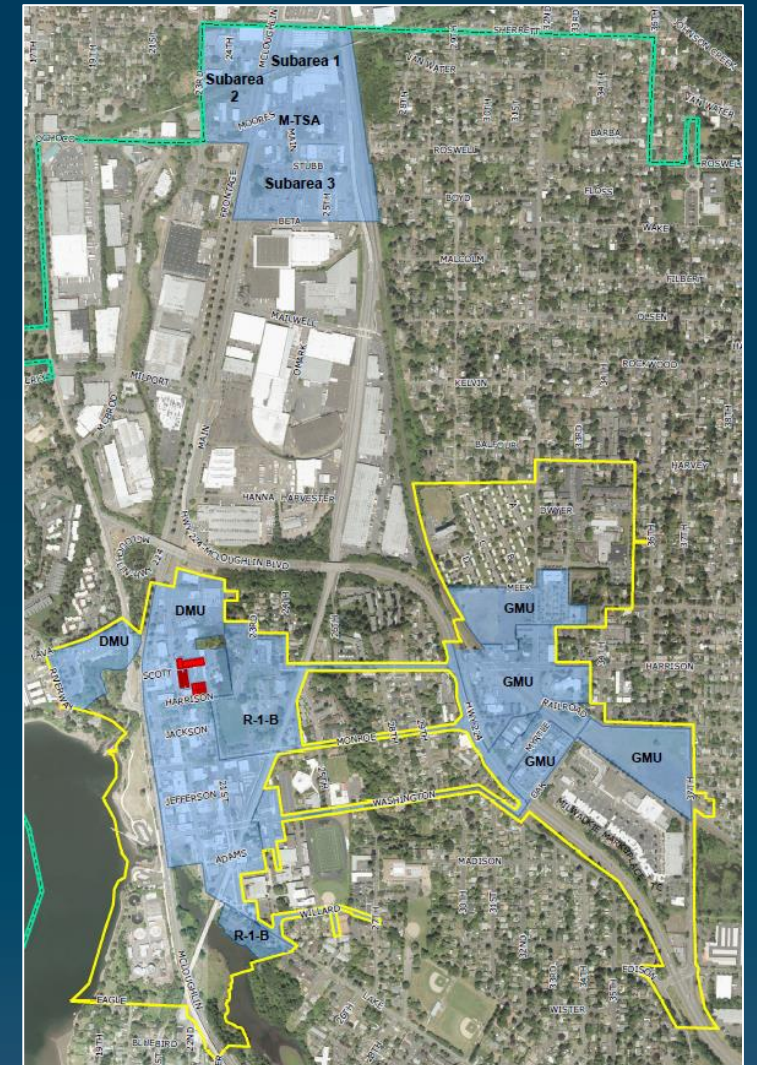
Application Process

1. Per SB 310, jurisdictions can create or expand a zone by ordinance or resolution

   a. The City must consider the potential for displacement of households within a proposed VHDZ before designating the zone

2. Eligible projects within the zone apply for partial tax exemption

   a. City staff to work with applicants to review and approve applications per local ordinance

City Council Request

Consider adoption of the Ordinance to add Chapter 3.65 – Vertical Housing Development Zone Program to the Milwaukie Municipal Code

Options:

A. Adopt the Ordinance to encourage development of mixed-use residential uses within the approved boundary and adopt the local sustainability criteria and a sunset provision for local implementation.

B. Modify the Ordinance.

C. Elect not to adopt the Ordinance.

Vertical Housing Development Zone Ordinance

Questions?

Vertical Housing Development Zone Ordinance

City Council, November 21, 2017

Potential Impact

	North Main Village*	Future Example: Coho Point
Approximate Project Cost	$14 million	$30 million at 80%
Property Tax Prior to New Development	$13,000/year	$0 for past 10 years
Average Annual Tax Revenue During Abatement	$21,000/year	$24,600/year
Average Incremental Tax Abated	$20,000/year	$98,400/year
Estimated Total Annual Tax Revenue After Abatement	**$41,000/year**	**123,000/year**

*Example does not include figures for the North Main Apartments which are still under abatement as part of the VHDZ program.

Zone Analysis

	Proposed Boundary	Proposed within URA
Number of Parcels	591	324
Land Value	$102M	$78M
Building Value	$251M	$193M
Acres	245	173

Case Study – North Main Village

Source: Photo from oregonmetro.gov

Potential Future Impact

Source: 4th Main Apartments, Hillsboro, OR, photo from Apartment Finder